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TRAVEL WEEKLY

THE NATIONAL NEWSPAPER OF THE TRAVEL INDUSTRY

DECEMBER 15, 2008

ECONOMY WATCH

By Lester Craft

Why luxury feels recession's sting

An economy that favors Wal-Mart and BJ's Wholesale Club is revealing itself as decidedly hostile to the likes of Tiffany and Neiman Marcus. Several reliable indicators suggest that luxury travel is not immune to the down-marketing of America. Indeed, some projections for 2009 suggest that luxury will suffer the recession's sting more than any other lodging segment.

But doesn't such a notion fly in the face of certain realities? After all, is it reasonable to think that the rich will cut back on travel even more than Joe the Plumber?

The answer, in part, is that truly wealthy travelers will continue traveling, both at their accustomed frequency and in their accustomed style. But that comforting thought will not prevent the market for luxury travel from enduring a very real and uncomfortably sharp contraction. Several culprits are responsible.

ANALYSIS

For one thing, many consumers who former-

ly thought of themselves as affluent no longer feel that way. They likely will travel less and will trade down when they do.

Another consumer group, big-spending aspirational travelers whose lifestyles derived from easy credit rather than income, is just plain kaput.

But the biggest fly in luxury travel's ointment may be the business traveler. Many corporations are simultaneously trading down and trading out: foregoing luxury lodging on one hand and curtailing travel and events on the other. The only beneficiaries are hotels just below luxury, perfectly situated to snag newly minted penny-pinchers who continue to travel.

Luxury has had a string of good years, lasting right through the summer. Companies who built a cushion can rescale to a smaller market and await recovery. But as with every segment during this credit-challenged era, those who took on too much debt face a world of pain.

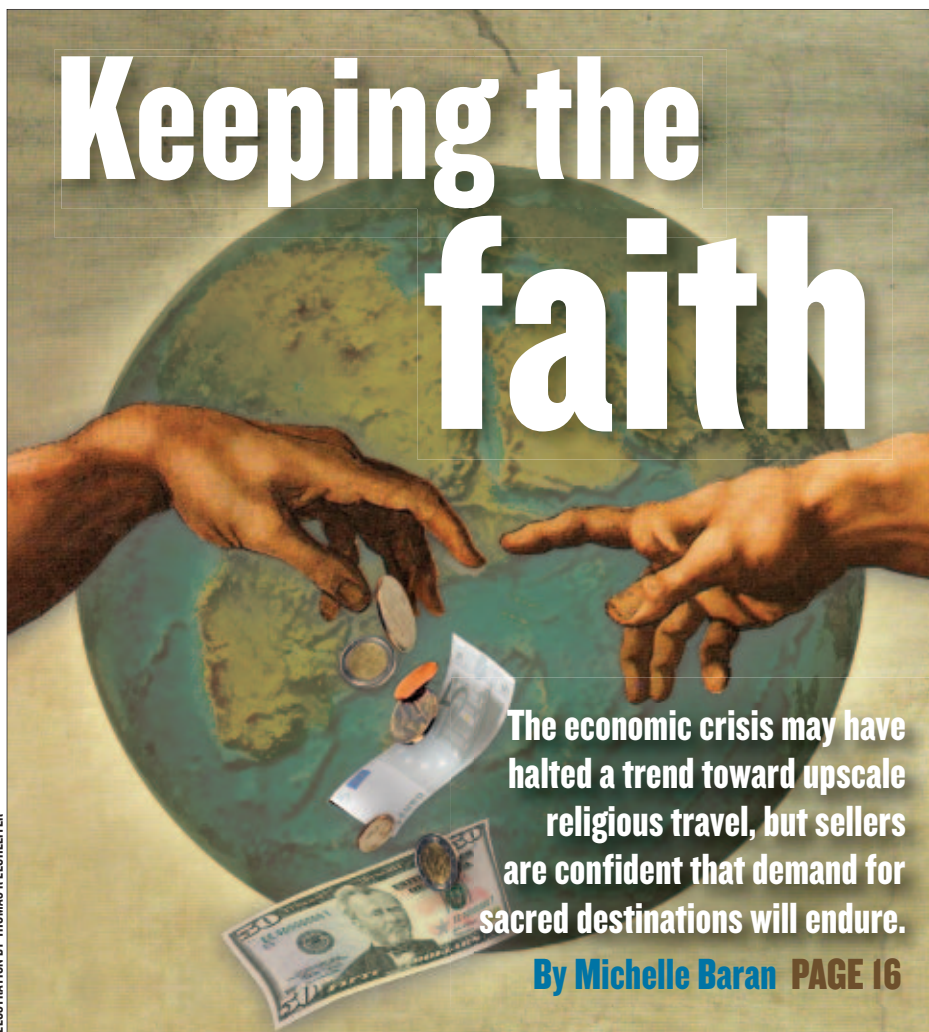


ILLUSTRATION BY THOMAS FLECHLEITER

The economic crisis may have halted a trend toward upscale religious travel, but sellers are confident that demand for sacred destinations will endure.

By Michelle Baran PAGE 16

[NEW POLICY MANDATES MORE PASSENGER DATA]

TSA to take on watch-list duties

By Bill Poling

The government is doing the airlines a favor next year by taking over the chore of matching passenger names with the terrorist watch list on domestic flights, but the favor is going to come with a price tag.

Beginning as early as January, airlines, agents and online travel sellers are going to have to record a passenger's full name, gender and birth date. Failure to comply could result in the passenger being denied boarding.

For consumers, the change might mean little more than a one-time adjustment to their preboarding mental checklist.

The impact on the industry, however, is not yet clear but is likely to be onerous.

Customer relations procedures, reserva-

tions systems and back-office tools all will need to be tweaked in a relatively short time, and the government still hasn't nailed down all the details.

The general plan is for the Transportation Security Administration to check the names and to do so with greater accuracy by using the passenger's full name, date of birth and gender.

The TSA spelled out the new requirements for its Secure Flight program in a regulation published at the end of October, but it has not provided an effective date. The Air Transport Association said last week that its members were still awaiting the TSA's "implementation guide."

It is expected that the plan will be phased
See DATA on Page 42

[SHARPEST DROP SINCE POST-9/11]

ARC reports sales for November fell by more than 20%

By Bill Poling

Travel agency sales reported through ARC took a nosedive in November, falling more than 20%, to just under \$4.8 billion. In dollar terms, that amounts to a decline of \$1.3 billion.

It was the steepest monthly sales decline since the months following 9/11 and, with taxes excluded, the weakest November in dollar volume since 2001.

November is typically one of the weaker sales months of the year, but it produced more than \$6 billion in sales in both 2006 and 2007.

The decline in sales appears to be steeper than November's decline in air traffic, possibly suggesting an accelerating or prolonged decline in advance bookings, industry experts say.

November's overall booking activity, as reflected in the total number of ARC transactions, fell 19.7% compared with the same month a year ago, to just under 9.2 million transactions. In recent years, ARC's monthly transaction volume has slipped below 10 million only twice before: in December 2006 and in December 2007.

International transaction volume was off 17.7%. While the number of domestic transactions fell 20%, the drop in dollar volume was steeper on the international side. International fares, minus taxes, fell 25.9%. Domestic fares, minus taxes, were down 19.8%.

Year to date, total sales, including taxes, are dead-even with the same period in 2007. But as recently as the midpoint of the year, sales were 3.6% ahead of last year.

One airline analyst who recently warned of a "major softening in air traffic demand going forward" said that the ARC data could be seen as confirming his prediction.

Michael Boyd of BoydGroup International said in a recent report that November's traffic decline for the top six U.S. carriers came to 11.2%. For the first time this year, that monthly decline was steeper than the carriers' 8.6% cutback in total capacity.

Until now, Boyd said, "the reduction in
See SALES on Page 43

Hyatt, golf course at the fore of Curacao planned community

By Gay Nagle Myers

A 1,500-acre planned resort community named Santa Barbara Plantation seems out of place on the Dutch island of Curacao.

No matter. Santa Barbara was the name given years ago to an old landhouse on a parcel of waterfront property overlooking a natural harbor and inlet called Spanish Water on Curacao's



The Marina Village component of the Santa Barbara Plantation project on Curacao will feature several dozen three-bedroom homes, as shown above in a rendering.

20 minutes from the capital of Willemstad.

Marshall was behind success-

fully planned communities in Sun Valley, Idaho; Pebble Beach, Calif.; Vail and Beaver Creek,

Colo.; the island of Lanai in Hawaii; and ski resorts in British Columbia.

But the Santa Barbara project marks his foray into the Caribbean, and it's no small entry.

Components will include the 27-acre, 350-unit Hyatt Regency Curacao Resort & Spa; Hyatt's Red Sail boat rental and tour center; custom home sites with prices from \$1.1 million each; the Marina Village and the already operational 120-slip Seru Boca Marina; and an 18-hole Pete Dye golf course and clubhouse.

In the pipeline are a second 18-hole course and a small boutique hotel.

"We're more than 60% done on the Hyatt; we're looking at a November 2009 opening," Marshall said.

The resort will be the only one on Curacao with an attached 18-hole golf course, although the island does have both nine-hole and 18-hole courses.

Other pluses include the largest meetings facilities on the island and a front-row seat to the

ecological treasures at the Curacao Underwater Park, a nationally protected marine sanctuary just offshore.

Resort amenities will include a multilevel pool, lounge and cabana area, tennis courts, three restaurants and all watersports.

'The talk of St. Lucia'

"Hyatt is the talk of St. Lucia," said Andre Roger of the Curacao Tourism Corp.'s sales and marketing department. "Everyone is excited because they know what it will mean for our island."

"The Hyatt name and its location on one of Curacao's best beaches will prove a real boost to tourism on this island," Roger said.

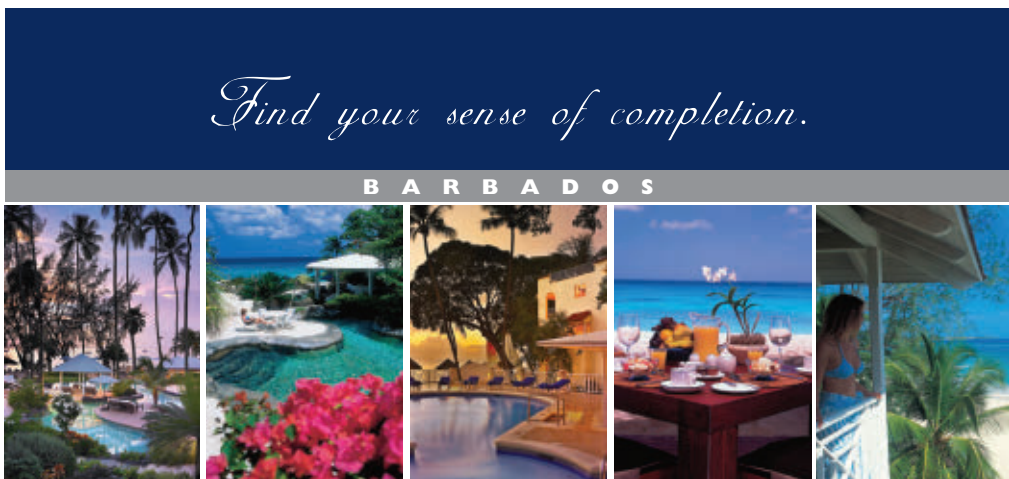
With only 2,800 hotel rooms on the island running an average occupancy of 85%, "the opening of this Hyatt will have a big impact for us. We need the rooms. It will be the new jewel on Curacao."

The major construction material used in the new Hyatt will be the limestone that is mined on Curacao. All rooms will have

CARIBBEAN

southeastern coast, named centuries ago after the Spanish sailors who came ashore to fill their freshwater casks.

"We kept the Santa Barbara name because it's familiar and it's historic," said Jack Marshall, director/developer and the architect behind Curacao's first such beach and golf resort and residential development, located



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A rendering depicts the view from the pool area of the 350-room Hyatt Regency Curacao Resort & Spa, scheduled to open late in 2009 as a main component of the Santa Barbara Plantation's resort and residential community.

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Marina Village will include a 120-slip marina and 27 homes from \$726,000 each.

a water view, balconies or patios; its solid wood doors and shutters will be made in Indonesia.

Another plus is that Dye-designed golf course, which Dye said will be equal to the Teeth of the Dog course in the Dominican Republic, ranked the No. 1 course in the Caribbean by Golf magazine.

It will “catapult Curacao into a golf destination in years to come,” he said.

What the new Hyatt will not have is a casino. Marshall said that a casino “had been planned and a site reserved, but Santa Barbara Plantation is a gated community, and anyone outside the community would have to pay to get in.

“It was decided to upgrade the spa facility instead, with a 4,500-square-foot facility and fitness center with 20 Hyatt Pure Spa bungalows offering in-room signature spa treatments as well as a private pool for spa guests,” Marshall said.

“The Hyatt will offer casino tours to the Renaissance and the Hilton but will not operate a casino at the resort.”

Despite the economic downturn, 45 residential lots with price tags from \$450,000 each sold “very quickly, snatched up by buyers from Spain, Holland, Belgium, Paraguay, a lot of locals and one lone buy-

er from the U.S.,” Roger said.

The 95 3,000-square-foot terrace homes, starting at \$1.1 million, have begun to sell, and the first model home will open in mid-2009.

Design features include a Mediterranean feel with white exteriors, stone accents and rustic terra cotta tile roofs, according to Marshall.

Marina Village, another component, features a 120-slip marina accommodating boats up to 80 feet long, and 27 homes from \$726,000 each with sales already in progress.

In addition to the hotel, golf course and marina, Santa Barbara Plantation will feature a beach club for homeowners, a tennis center, a business center, outdoor pools and boutique retail shops.

Santa Barbara is incorporating many environmen-

tally conscious facets into its infrastructure, including the recycling of waste water and the construction of a desalinization plant.

Many indigenous plants and trees were left in place when the golf course and the hotel designs were drawn up.

More than 450 date palm trees were imported from Egypt and planted more than a year ago around the golf course and the Hyatt site to allow time to mature.

Santa Barbara is incorporating many environmentally conscious facets into its infrastructure, including waste water recycling.



Santa Barbara Plantation is located about 20 minutes from Curacao's capital of Willemstad, above.

“It does look like a date palm plantation now,” Marshall said.

Hardy, salt-tolerant Paspalum grass is used on the golf course because it allows for irrigating with reclaimed water, including gray water, salt water and recycled water.

While expectations are high in regard to future business that the Hyatt and the residential components of Santa Barbara Plantation will bring to Curacao, island tourism officials are guardedly optimistic regarding the current winter season.

“Curacao is not as dependent upon the U.S. market as are other Caribbean destinations,” Roger said.

“The island has 14 nonstops a week

from Europe and a large South American market, as well.

Winter outlook ‘fairly good’

“It is a balanced, diverse and strong market spread across several geographical locations, so our outlook for this winter is fairly good,” he said.

He admitted that the real estate market “has seen some spillage, but even if sales slow down, we have other assets.”

The Santa Barbara Plantation project has created hundreds of jobs for the locals, and when the hotel and golf course are completed, they will account for more than 700 permanent jobs for the local work force.

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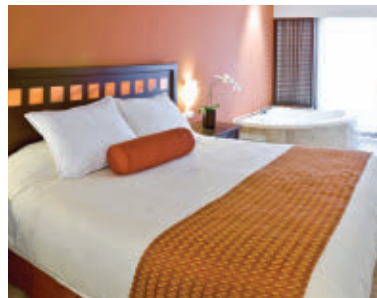


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